Lepelle Nkumpi Municipality

Annual Financial Statements
for the year ended June 30, 2019

General Information

Nature of business and principal activities	Local Government and the provision of basic services to the local community
Members of the council	
Mayor	Molala MM
	Sibanda-Kekana NG (Resigned 22 May 2019)
Speaker	Ntsoane PB
Chief whip	Thobejane TA
Members of the Executive Committee	Mogashoa A
Members of the Executive Committee	Ramokolo MM
Members of the Executive Committee	Makgati MA
Members of the Executive Committee	Mphahlele RL
Members of the Executive Committee	Mphofela SM
Members of the Executive Committee	Tsela FD
Members of the Executive Committee	Matuleke HD (Resigned 25 February 2019)
Members of the Executive Committee	Themane MD
Members of the Executive Committee	Mphahlele MTR (Resigned 25 February 2019)
Members	Makgahlele MB
Members	Marema TG
Members	Takalo PS
Members	Mabula RO
Members	Thobejane TA
Members	Thobejane TC
Members	Shogole MW
Members	Ledwaba CS
Members	Ratau IG
Members	Rababalela SM
Members	Mateka PI (Resigned 25 February 2019)
Members	Motaba RG
Members	Seribishane KG
Members	Thobejane L
Members	Mphuti T
Members	Kgokolo RD
Members	Ntshabeleng PS
Members	Maifula LM
Members	Mphahlele LL (Deceased 26 June 2019)
Members	Mohlala MN
Members	Mamosebo MJ (Resigned 25 February 2019)
Members	Tlabjane JB
Members	Mphahlele TJ
Members	Mmotla MN
Members	Moganedi VM
Members	Mollo MI
Members	Babife PT
Members	Kutumela MF
Members	Mvundlela SW
Members	Nkuna FM
Members	Ledwaba JL

General Information

Members	Molatjana ML
Members	Ledwaba PE
Members	Phele RS
Members	Masemola SG
Members	Thindisa DM (Deceased 8 July 2019)
Members	Matsimela MD
Members	Kgweedi MM
Members	Morofoba NL
Members	Doubada NN
Members	Choung CM
Members	Takalo ME
Members	Lekoana MR
Members	Leshilo GK
Members	Petje LT
Members	Ntswane MR
Members	Ramoshaba RS
Members	Mathabatha TP
Members	Mohlala LN
Members	Mohlala MJ
Members	Mohlala PM
Members	Ramalebana LM
Members	Masebe BN
	Makola J
Acting Municipal Manager	Gafane T
Acting Chief Financial Officer	Moema D
Registered office	Lebowakgomo
Business address	170 BA Civic Centre Lebowakgomo 0737
Postal address	Private Bag X07 Chuenespoort 0745
Bankers	First National Bank (FNB)
Auditors	Auditor-General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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GRAP	Generally Recognised Accounting Principles
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual financial statements, which are set out on pages s 5 to 81, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Gafane T
Acting Municipal Manager

Statement of Financial Position as at June 30, 2019

Figures in Rand	Notes	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	91,711,811	89,817,794
Receivables from exchange transactions	4	44,431,370	32,356,676
Receivables from non-exchange transactions	5	53,564,615	44,130,371
Cash and cash equivalents	7	89,297,761	58,429,524
		279,005,557	**224,734,365**
Non-Current Assets			
Investment property	8	109,414,000	99,316,000
Property plant and equipment	9	678,066,677	669,341,901
Intangible assets	10	114,725	143,464
Heritage assets	11	183,684	183,684
		787,779,086	**768,985,049**
Total Assets		**1,066,784,643**	**993,719,414**
Liabilities			
Current Liabilities			
Finance lease obligation	12	-	238,138
Payables from exchange transactions	13	69,827,137	61,436,563
Consumer deposits	14	1,926,836	1,902,836
VAT payable	6	2,310,107	5,800,404
Unspent conditional grants and receipts	15	19,094,377	8,107,823
		93,158,457	**77,485,764**
Non-Current Liabilities			
Provisions	16	9,178,330	8,345,447
Total Liabilities		**102,336,787**	**85,831,211**
Net Assets		**964,447,856**	**907,888,203**
Accumulated surplus		964,447,856	907,888,203

* See Note 35

Statement of Financial Performance

Figures in Rand	Notes	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	5,842,699	6,735,287
Rental of facilities and equipment	18	523,096	516,211
Water and Sanitation:Commission Earned	18	27,877,461	24,836,618
Agency Fees ; Licences and permits	19	4,305,715	4,335,159
Other Revenue	21	8,005,980	2,609,423
Finance Income	22	21,174,837	12,067,325
Gain on disposal of assets and liabilities		166,992	-
Total revenue from exchange transactions		**67,896,780**	**51,100,023**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	26,927,678	24,415,210
Transfer revenue			
Government grants and subsidies received - operating	24	234,971,979	217,592,924
Government grants and subsidies received - capital	24	24,881,296	54,088,163
Traffic Fines		513,050	940,665
Total revenue from non-exchange transactions		**287,294,003**	**297,036,962**
Total revenue		**355,190,783**	**348,136,985**
Expenditure			
Employee related costs	25	(96,409,998)	(90,051,204)
Remuneration of councillors	27	(21,433,738)	(20,883,393)
Depreciation, impairment and amortisation	28	(40,826,937)	(154,232,355)
Finance costs	29	(5,836)	(51,823)
Provision for impairments adjustment	30	(34,340,535)	(192,531,266)
Repairs and maintenance		(7,226,775)	(6,470,093)
Contracted services	31	(19,856,200)	(18,007,831)
Free Basic Services: Electricity		(3,645,727)	(8,310,495)
Loss on disposal of assets and liabilities		-	(90,870)
Assets not yet capitalised		(4,467,405)	-
General Expenses	32	(80,515,787)	(77,458,842)
Total expenditure		**(308,728,938)**	**(568,088,172)**
Surplus (deficit) for the year from continuing operations		**46,461,845**	**(219,951,187)**
Fair Value adjustment	24	10,098,000	403,683,641
Surplus for the year		**56,559,845**	**183,732,454**

* See Note 35

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported at 30 June 2017	773,308,121	773,308,121
Surplus for the year	299,554,875	299,554,875
Opening balance as previously reported as at 30 June 2018	1,072,862,996	1,072,862,996
Correction of Prior Period Error - Refer to Note 33	(164,974,793)	(164,974,793)
Restated* Balance at July 1, 2018 as restated*	**907,888,203**	**907,888,203**
Surplus for the year	56,559,845	56,559,845
Balance at June 30, 2019	**964,447,856**	**964,447,856**

* See Note 35

Proceeds from sale of other asset 3		(305,962)	64,387

Disclosures

Figures in Rand	Notes	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Taxation		22,994,762	-
Cash received from service charges and other charges		19,190,537	-
Grants received		248,866,721	-
Investment Interest Income	21	5,298,480	12,067,325
		296,350,500	12,067,325
Payments			
Employee costs	-	(117,843,736)	(350,312,508)
Finance costs	-	(5,836)	(51,823)
Payments to suppliers	-	(97,562,919)	-
	-	(215,412,491)	(350,364,331)
Net cash flows from operating activities	33	**80,938,009**	**176,319,255**
Cash flows from investing activities			
Purchase of depreciation - property, plant and equipment	9	(49,323,770)	(86,411,425)
Purchase of other intangible assets	10	(507,864)	-
Proceeds from sale of property plant and equipment		(305,962)	64,387
Net cash flows from investing activities		**(50,137,596)**	**(86,347,038)**
Cash flows from financing activities			
Finance lease payments		(238,138)	(533,714)
Net increase/(decrease) in cash and cash equivalents		**30,868,237**	**(128,983,427)**
Cash and cash equivalents at the beginning of the year		58,429,524	187,412,951
Cash and cash equivalents at the end of the year	7	**89,297,761**	**58,429,524**

* See Note 35

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	7,628,612	(300,000)	7,328,612	5,842,699	(1,485,913)	16
Rental of facilities and equipment	1,092,273	(110,000)	982,273	523,096	(459,177)	17
Interest received (trading)	4,687,131	5,000,000	9,687,131	15,853,963	6,166,832	21
Interest Earned -external investments	14,761,048	(10,000,000)	4,761,048	5,320,874	559,826	21
Agency Fees	10,232,787	17,979	10,250,766	29,102,551	18,851,785	18 & 19
Other revenue	222,316,423	(113,264,086)	109,052,337	8,005,980	(101,046,357)	20
Gains on disposal of assets	-	-	-	217,323	217,323	SoFP
Total revenue from exchange transactions	**260,718,274**	**(118,656,107)**	**142,062,167**	**64,866,486**	**(77,195,681)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25,864,008	-	25,864,008	26,927,678	1,063,670	22
Transfer revenue						
Government grants and subsidies received - operating	237,598,926	-	237,598,926	234,971,979	(2,626,947)	23
Government grants and subsidies received - capital	53,003,000	(11,000,000)	42,003,000	24,881,296	(17,121,704)	23
Traffic Fines	1,444,697	(909,792)	534,905	513,050	(21,855)	SoFP
Total revenue from non-exchange transactions	**317,910,631**	**(11,909,792)**	**306,000,839**	**287,294,003**	**(18,706,836)**	
Total revenue	**578,628,905**	**(130,565,899)**	**448,063,006**	**352,160,489**	**(95,902,517)**	
Expenditure						
Employee related costs	(106,493,766)	4,077,477	(102,416,289)	(96,409,998)	6,006,291	25
Remuneration of councillors	(27,715,031)	1,500,449	(26,214,582)	(21,433,738)	4,780,844	26
Depreciation and amortisation	(36,000,000)	-	(36,000,000)	(43,506,148)	(7,506,148)	27
Finance costs	(150,000)	-	(150,000)	(5,836)	144,164	28
Bad debts	(29,017,857)	(2,000,000)	(31,017,857)	(34,340,535)	(3,322,678)	29
Contracted Services	(95,936,663)	6,516,347	(89,420,316)	(19,856,200)	69,564,116	30
Repairs and maintenance	-	-	-	(7,226,775)	(7,226,775)	SoFP
Free Basic Services: Electricity	-	-	-	(3,645,727)	(3,645,727)	SoFP
Other Materials	(11,069,267)	3,600,407	(7,468,860)	(4,754,841)	2,714,019	SoFP
General Expenses	(62,258,472)	14,695,309	(47,563,163)	(80,783,550)	(33,220,387)	31
Total expenditure	**(368,641,056)**	**28,389,989**	**(340,251,067)**	**(311,963,348)**	**28,287,719**	
Operating surplus	**209,987,849**	**(102,175,910)**	**107,811,939**	**40,197,141**	**(67,614,798)**	
Fair value adjustments	-	-	-	10,098,000	10,098,000	
Nett Surplus / (Deficit)	**209,987,849**	**(102,175,910)**	**107,811,939**	**50,295,141**	**(57,516,798)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,168,230	244,604,019	248,772,249	91,711,811	(157,060,438)	3
Receivables from exchange transactions	197,046,763	(127,430,983)	69,615,780	66,705,691	(2,910,089)	4
Receivables from non-exchange transactions	159,952,221	(159,952,221)	-	64,021,320	64,021,320	5
Cash and cash equivalents	204,788,400	3,641,124	208,429,524	89,297,761	(119,131,763)	7
	565,955,614	(39,138,061)	526,817,553	311,736,583	(215,080,970)	
Non-Current Assets						
Investment property	-	-	-	109,414,000	109,414,000	8
Depreciation - Property, plant and equipment	810,033,357	(244,533,085)	565,500,272	678,041,083	112,540,811	9
Intangible assets	-	20,902	20,902	114,725	93,823	10
Heritage assets	-	-	-	183,684	183,684	
	810,033,357	(244,512,183)	565,521,174	787,753,492	222,232,318	
Total Assets	1,375,988,971	(283,650,244)	1,092,338,727	1,099,490,075	7,151,348	
Liabilities						
Current Liabilities						
Finance lease obligation	561,467	(323,329)	238,138	-	(238,138)	11
Payables from exchange transactions	42,788,076	13,804,310	56,592,386	62,268,634	5,676,248	12
VAT payable	5,732,874	-	5,732,874	2,310,107	(3,422,767)	6
Consumer deposits	64,000	1,838,836	1,902,836	1,926,836	24,000	13
Unspent conditional grants and receipts	8,107,823	-	8,107,823	19,094,377	10,986,554	14
Provisions	1,086,511	-	1,086,511	-	(1,086,511)	15
	58,340,751	15,319,817	73,660,568	85,599,954	11,939,386	
Non-Current Liabilities						
Finance lease obligation	250,521	(250,521)	-	-	-	11
Provisions	8,129,937	150,285,560	158,415,497	9,178,330	(149,237,167)	15
	8,380,458	150,035,039	158,415,497	9,178,330	(149,237,167)	
Total Liabilities	66,721,209	165,354,856	232,076,065	94,778,284	(137,297,781)	
Net Assets	1,309,267,762	(449,005,100)	860,262,662	1,004,711,791	144,449,129	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,099,279,912	(239,017,251)	860,262,661	1,019,935,943	159,673,282	SoCNA
Total Net Assets	1,099,279,912	(239,017,251)	860,262,661	1,019,935,943	159,673,282	

Lepelle Nkumpi Municipality

(Registration number LIM 355)
Annual Financial Statements for the year ended June 30, 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	11,536,538	(5,589,470)	5,947,068	26,927,678	20,980,610	22
Service charges	5,338,424	(3,037,692)	2,300,732	5,842,699	3,541,967	17
Other revenue	85,916,033	34,596,791	120,512,824	8,005,980	(112,506,844)	20
Government grants - capital	237,271,000	-	237,271,000	234,971,979	(2,299,021)	23
Government grants - operating	53,003,000	-	53,003,000	24,881,296	(28,121,704)	23
Other receipts	17,247,031	(8,265,583)	8,981,448	51,974,657	42,993,209	SoFP
	410,312,026	17,704,046	428,016,072	352,604,289	(75,411,783)	
Payments						
Employees and Suppliers	(178,565,804)	23,829,757	(154,736,047)	(96,409,998)	58,326,049	32
Finance costs	(150,000)	-	(150,000)	(5,836)	144,164	28
	(178,715,804)	23,829,757	(154,886,047)	(96,415,834)	58,470,213	
Net cash flows from operating activities	231,596,222	41,533,803	273,130,025	256,188,455	(16,941,570)	
Cash flows from investing activities						
Proceeds from sale of depreciation - property, plant and equipment	210,400	-	210,400	217,323	6,923	9
Capital assets	(210,587,850)	91,822,727	(118,765,123)	48,852,619	167,617,742	9
Net cash flows from investing activities	(210,377,450)	91,822,727	(118,554,723)	49,069,942	167,624,665	
Cash flows from financing activities						
Consumer deposits	64,000	(42,000)	22,000	24,000	2,000	13
Net increase/(decrease) in cash and cash equivalents	21,282,772	133,314,530	154,597,302	305,282,397	150,685,095	
Cash and cash equivalents at the beginning of the year	287,780,498	(229,350,973)	58,429,525	58,429,524	(1)	
Cash and cash equivalents at the end of the year	309,063,270	(96,036,443)	213,026,827	363,711,921	150,685,094	

Reconciliation

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Compound Instruments

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value Management have made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

Useful lives

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. In the event that assets are fair valued, the useful lives of these assets is the estimated remaining useful life on takeon date.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concem even though the municipality will be operational for extended periods with negative net assets.

1.4 Investment property

Investment property is property (land or a building, or part of a building, or both) held to earn rentals or capital appreciation or both, rather that for:

- use in the production or supply of goods or services, or

- administrative purposes; or

- sale in the ordinary course of operations.

Investment property is recognised as an asset when, its is probable that the future eceonimc benefors or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Initial Recognition:

Accounting Policies

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item	Useful life
Property - land	indefinite
Property - buildings	5 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service are expected from its disposal

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and trhe carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Subsequent Measurement:

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:-

Item	Useful life
Land	Indefinite
Buildings	10 - 30 years
Infrastructure	
- Roads	10 - 100 years
- Electricity	5 - 80 years
Other assets	
- Machniery and equipment	2 - 15 years
- Furniture and equipment	5 - 15 years
- Computer equipment	5 - 10 years
- Vehicles	7 - 15 years

In the event that assets are fair valued, the useful lives of those assets is the estimated remaining useful life on takeon date.

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method are reviewed at least at every reporting date.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the Statement of Financial Performance.

Accounting Policies

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance and recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate; (see the Standard of GRAP on Revenue from Exchange

Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or

Accounting Policies

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or

- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or

- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;

- combined instruments that are designated at fair value;

- instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;

- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

Accounting Policies

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

- Cash and cash equivalents
- Financial asset measured at amortised cost
- Trade and other receivables from non-exchange transactions
- Financial asset measured at amortised cost
- Trade and other receivables from exchange transactions Financial asset measured at amorstised cost
- Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

- Long term liabilities Financial liability measured at amortised cost
- Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

Accounting Policies

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;

- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the asset; and

- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Accounting Policies

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

Accounting Policies

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

- the stage of completion of the transaction at the reporting date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified. Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Accounting Policies

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.11 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Provisions and contingencies

Provisions are recognised when:

Accounting Policies

- the municipality has a present obligation as a result of a past event;

- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and

- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

1.13 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Accounting Policies

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.17 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Accounting Policies

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.19 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Accounting Policies

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;

- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and

- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and

- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit.

The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);

- its value in use (if determinable); and

- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and

- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

Accounting Policies

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or

- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Accounting Policies

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;

- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;

- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;

- Interest cost;

- the expected return on any plan assets and on any reimbursement rights;

- actuarial gains and losses;

- past service cost;

- the effect of any curtailments or settlements; and

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Accounting Policies

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and

- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;

- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

- those changes were enacted before the reporting date; or

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

Pension Obligations: The municipality and its employees contribute to 4 different Pension Funds, of which 2 (The Municipal Employees Pension Fund and Municipal Gratuity Fund) cater for the majority of the staff. Municipal Employees Pension Fund, Municipal Gratuity Fund and National Fund for Municipal Workers are defined benefit funds. The Municipal Councillors Pension Fund are defined contribution funds.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.

- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.27 Grants in aid

The Lepelle-Nkumpi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.28 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Accounting Policies

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

Accounting Policies

1.29 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;

- the actual amounts on a comparable basis; and

- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;

- include the same activities and entities;

- use the same classification system; and

- are prepared for the same period.

1.30 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and

- the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated it is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

Accounting Policies

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use	Full life
Property and building	Indefinite
Other Assets	5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or

- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.31 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting - Issued March 2005

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

(a) The Municipalities is subject to the overall direction of an executive government or Council and ultimately, parliament , and operate together to achieve the policies of the government.

(b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence

(c) Public entities enter into transactions with other government entities on a regular basis, and

(d) Ministers, councillors or other elected or appointed members of the government and other members of management can exert significant influence over the operations of an entity.

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related party transactions, outstanding balances, and the relationship underlying those transactions is necessary for accountability purposes.

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

Accounting Policies

At present the impact of the standard is not material.

GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer.

GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should In the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer.

GRAP 107: Mergers – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Inventories

Land	87,953,428	87,953,428
Consumable stores	3,758,383	1,864,366
	91,711,811	**89,817,794**

3.1 Land to be transferred to beneficiaries

Opening balance	87,953,428	246,908,200
Prior period adjustments	-	(217,639,200)
Transfers In	-	95,256,000
Write-off to net realisable value	-	(36,571,572)
	87,953,428	**87,953,428**

IInventories comprise of 1185 registered properties which consists of encroached land, residential stands and other vacant land agreements with developers.The municipality was required to register the land in thier name before the transfers can occur. Currently the municipality is in the process of transffering the inventory to beneficiaries. A register of these properties is maintained by the municipality. During the financial year the municipality has registered the land donated with the deeds office. This land is registered Is unit H Lebowakgomo which is currently vacant and earmarked for residential purposes. Furthermore prior period adjustments for land not in the control of the municipality as well as land that met the requirements for recognition as investment property and/or Property, plant and equipment.

4. Receivables from exchange transactions

CDM advance commission	108,503,859	80,467,538
Less provision for impairment	(80,495,557)	(62,529,659)
Revenue bank suspense	-	1,055
Grants debtors	40,000	994,163
Consumer debtors - Refuse	74,294,483	62,732,256
Less provision for impairment	(57,911,415)	(49,308,677)
	44,431,370	**32,356,676**

Refuse - Ageing

Current (0 -30 days)	3,750,873	3,269,026
31 - 60 days	1,551,114	1,485,091
61 - 90 days	1,671,461	1,445,651
91 - 120 days	1,513,090	1,417,770
121 - 365 days	10,782,362	8,936,380
> 365 days	55,025,584	46,796,391
	74,294,484	**63,350,309**

Reconciliation of provision for impairment - refuse

Opening balance	(49,308,677)	(39,109,571)
Provision for impairment	(8,602,738)	(10,199,106)
	(57,911,415)	**(49,308,677)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from non-exchange transactions

Fines	12,334,924	11,831,957
Less: Provision for impairment - Fines	(9,724,479)	(9,369,439)
Plus Debtors with credit balances	3,882,135	2,884,895
Sundry debtors	5,147,039	4,631,533
Consumer Debtors - Rates	115,868,308	100,642,755
Less: Provision for impairment - Rates	(73,943,312)	(66,491,330)
	53,564,615	**44,130,371**

Rates - Ageing

Current (0 -30 days)	3,947,232	3,862,054
31 - 60 days	1,884,185	1,659,276
61 - 90 days	1,741,486	1,647,645
91 - 120 days	1,730,161	1,643,091
121 - 365 days	15,133,422	12,788,156
> 365 days	91,396,699	78,241,845
	115,833,185	**99,842,067**

Reconciliation of provision for impairment - Rates

Balance at beginning of the year	(66,491,330)	(60,956,002)
Contributions to allowance	(7,451,982)	(5,535,328)
Debt impairment written off against allowance	-	-
Reversal of allowance	-	-
	(73,943,312)	**(66,491,330)**

Traffic Fines

Traffic Fines	12,275,757	11,831,957
Less: Provision for Impairment	(9,724,479)	(9,369,439)
	2,551,278	**2,462,518**

Reconciliation of provision for impairment - Traffic Fines

Balance at beginning of the year	9,369,439	(9,082,741)
Contributions to allowance	355,040	(286,698)
Reversal of allowance	-	-
	9,724,479	**(9,369,439)**

Trade and other receivables past due but not impaired

Consumer debtors pledged as security

Consumer debtors were not pledged as security for overdraft facilities.

Consumer debtors impaired

The amount of the provision for impairment was:

	2019	**2018**
Traffic fines	9 724 479	9 369 439
Consumer debtors - Refuse	57 911 415	49 308 677
Consumer debtors - Rates	73 908 190	66 491 330

Interest Raised for the period

During the 2018/2019 financial year interest on outstanding receivables were calculated at a rate of 10% (2018: 10%) as per the tarriff structure.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

6. VAT receivable/(payable)

VAT receivable/(Payable)	(2,310,107)	(5,800,404)

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,840	5,195
FNB Paymaster account	1,994,397	4,709,941
Call deposits	83,867,594	46,911,313
FNB revenue account	2,708,012	5,270,319
FNB salaries account	708,918	1,532,756
VBS Mutual Bank (3 months notice account)	50,000,000	50,000,000
VBS Mutual Bank (12 month notice account)	100,000,000	100,000,000
	239,297,761	**208,429,524**

Current assets	239,297,761	208,429,524
Provision for impairment	(150,000,000)	(150,000,000)
	89,297,761	**58,429,524**

The municipality has made provision for the impairment of VBS Mutual bank because of the uncertainty regarding the recovery of the investment of R150 000 000 (2018: R 150 000 000).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2019	June 30, 2018	June 30, 2017
Paymaster General Account - FNB - 6206-334-5790	1,999,341	4,645,909	5,220,374	1,994,397	4,709,941	5,208,067
Revenue Account - FNB - 6206-334-2720	2,708,012	5,070,241	8,430,288	2,708,012	5,270,319	8,448,664
Salaries Account - FNB - 6206-334-5980	708,918	1,532,756	592,274	708,918	1,532,756	592,274
Money Market Account - FNB - 6206-335-6888	83,867,594	46,869,114	172,984,522	83,867,594	46,869,114	173,151,390
3 month Call Account - VBS Mutual Bank - (Impaired)	50,000,000	51,435,340	-	50,000,000	-	-
12 month Call Account - VBS Mutual Bank (Impaired)	100,000,000	103,908,484	-	100,000,000	-	-
Total	**239,283,865**	**213,461,844**	**187,227,458**	**239,278,921**	**58,382,130**	**187,400,395**

8. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	109,414,000	-	109,414,000	99,316,000	-	99,316,000

8. Investment property (continued)

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	99,316,000	10,098,000	109,414,000

Reconciliation of investment property - 2018

	Opening balance	Transfers received	Total
Investment property	-	99,316,000	99,316,000

Pledged as security

No investment properties was pledged as security for liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

At year end, an assessment was conducted on all land owned by the municipality. It was found that certain land met the recognition criteria for investment property and a prior period adjustment was then made to recognise the land as investment property in terms of the requirements of GRAP 16.

The Lepelle- Mkumpi Municipal valuations is based on the valuation roll which is reviewed every five years. The last valuation roll came into effect on 1 July 2017. Supplementary valuations are issued and processed annually to take into account changes in individual property value due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand

9. Property plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	161 597,200	(111,952,200)	49 645,000	161,597,200	(111,952,200)	49,645,000
Buildings	168 214,638	(94,657,953)	73 556,685	157,636,167	(64,789,539)	63,046,628
Infrastructure	333,431,144	(67,607,006)	265,624,138	305,524,276	(55,571,286)	249,952,990
Community assets	225 292,501	(67,004,178)	156 266,323	216,630,092	(56,683,435)	157,946,657
Other and movable assets	65,615,401	(31,524,167)	34,091,234	70,647,711	(29,221,724)	41,425,967
Lease assets	1,517,724	(1,517,724)	-	1,517,724	(1,306,929)	210,795
Capital work in progress	99,216,522	(2,357 425)	96,661,097	87,113,644	-	67,113 644
Total	**1,054,887,330**	**(376,820,653)**	**676,066,677**	**1,011,067,014**	**(341,725,113)**	**669,341,901**

Notes to the Annual Financial Statements

Figures in Rand

9. Property plant and equipment (continued)

Reconciliation of carrying value of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	49,645,000	-	-	-	-	-	-	49,645,000
Buildings	83,046,628	-	-	-	378,671	(3,937,402)	(5,931,011)	73,556,886
Infrastructure	249,952,990	-	-	-	27,906,868	(12,235,720)	-	265,624,138
Community Assets	157,946,657	-	-	8,462,409	-	(7,944,454)	(176,289)	158,288,323
Other and Moveable Assets	41,425,987	471,152	(305,964)	-	-	(7,499,941)	-	34,091,234
Lease Assets	210,795	-	-	-	-	(210,795)	-	-
Work in Progress	87,113,844	48,852,618	-	-	(36,747,948)	-	(2,357,425)	96,861,089
	669,341,901	**49,323,770**	**(305,964)**	**8,462,409**	**(8,462,409)**	**(31,828,312)**	**(8,464,725)**	**678,066,670**

Reconciliation of carrying value of property, plant and equipment - 2018

	Opening balance	Additions	Prior period error adjustments	Fair value adjustments	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	103	-	82,183,200	156,777,897	-	(77,364,000)	-	(111,952,200)	49,645,000
Buildings	90,668,306	-	530,277	-	-	8,549,921	(5,330,656)	(11,371,220)	83,046,628
Infrastructure	231,488,006	-	(8,563,091)	-	-	35,978,653	(8,950,578)	-	249,952,990
Other and Moveable Assets	31,293,911	15,095,727	1,193,458	-	(90,870)	(185,000)	(5,881,239)	-	41,425,987
Lease Assets	716,702	-	-	-	-	-	(505,907)	-	210,795
Work in Progress	73,131,830	71,315,698	(12,805,110)	-	-	(44,528,574)	-	-	87,113,844
Community Assets	165,481,386	-	2,391,766	-	-	-	(9,919,455)	(7,040)	157,946,657
	592,780,244	**86,411,425**	**64,930,500**	**156,777,897**	**(90,870)**	**(77,549,000)**	**(30,587,835)**	**(123,330,460)**	**669,341,901**

Pledged as security

No property plant and equipment is pledged as security for any financial liabilities.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Property plant and equipment (continued)

Transfer of land

The municipality is in the process of registering land in the name of LNLM as the township register for the relevant farm portion was opened at the Deeds Office. Currently the municipality has 36 ERF's of land. 15 portions of farm VOORSPOED 458 registered in the name of the municipality were not registered properly at the Office of the Deeds Registry. In the Land disclosed the Municipality using experts has calculated the extent of the township and withdrawn the extent value from the parent farm and valued the remaining extent from the primarily public service infrastructures and servitudes. The municipality is in the process of deregistering the above properties for proper registration at the Deeds office.

The municipality is in the process to register 100 pieces of land of which Special Power of Attorney has been given to the service provider on 27 August 2019.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year the useful lives of the property plant and equipment was reviewed.

The estimated useful lives for certain assets has been adjusted.

Certain assets that were previously recognised as expenditure were capitalised during the current and previous financial year.

During the financial year, an amount of R 11 301 069 was spent on maintaining and repairing items of Property, Plant and Equipment (2018: R 6 470 093).

During the financial year, the municipality has received amounts for reimbursement due to loss of assets from the insurer. The amounts received are detailed below:

- An amount of R 3 686 951 has been received from Guard Risk Holdings Limited for Mafefe Tourism Camp destroyed by fire.
- An amount of R 15 040 was received from Guard Risk Holdings Limited for the loss of a laptop.
- An amount of R 37 254 was claimed and is to be received from Guard Risk Holdings Limited for reimbursement for guns stolen.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Buildings	Total
Opening balance	56,536,659	42,755,627	99,292,286
Additions/capital expenditure	36,638,693	12,213,925	48,852,618
Adjustments	(12,178,442)	-	(12,178,442)
Transferred to completed items	(27,906,858)	(8,841,081)	(36,747,939)
Impairment	(2,357,425)	-	(2,357,425)
	50,732,627	**46,128,471**	**96,861,098**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Buildings	Total
Opening balance	33,518,506	39,613,322	73,131,828
Additions/capital expenditure	49,920,939	19,801,113	69,722,052
Adjustments	(9,613,292)	(3,191,817)	(12,805,109)
Transferred to completed items	(17,289,495)	(13,466,990)	(30,756,485)
	56,536,658	**42,755,628**	**99,292,286**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Property plant and equipment (continued)

The following are identified slow moving projects :

Project description	Reasons for slow moving	Amount
Revitalision municipal building (Civic)	in progress (under investigation)	3,158,329
Development of sites residential (project was impaired with amount of R2 357 425.05)	in progress (land invated)	1
Rakgoatha community hall	In progress (contractor abondoned the site)	4,095,104
Upgrading of VTS from Grade B to A	in progress (budget constrains)	609,114
Upgrading of Malakabaneng road to tar	in progress (budget constrains)	775,232
	0	8,637,780

10. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,053,115	(938,390)	114,725	545,251	(401,787)	143,464

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	143,463	507,864	(536,602)	114,725
		507,864	(536,602)	114,725

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Prior period error adjustment	Amortisation	Impairment loss	Total
Computer software, other	48,315	-	143,700	(27,650)	(20,902)	143,463

Intangible assets comprise of computer software.

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	183,684	-	183,684	183,684	-	183,684

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Heritage assets (continued)

Reconciliation of heritage assets 2019

	Opening balance	Total
Art Collections, antiquities and exhibits	183,684	183,684

Reconciliation of heritage assets 2018

	Opening balance	Prior period error	Total
Art Collections, antiquities and exhibits	-	183,684	183,684

12. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	-	243,974
	-	243,974
less: future finance charges	-	(5,836)
Present value of minimum lease payments	-	**238,138**
Present value of minimum lease payments due		
- within one year	-	238,138

The average lease term is 3 years and the average implicit borrowing rate is 9.75%. The leases have fixed repayment terms . No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

13. Payables from exchange transactions

	2019	2018
Trade payables	3,406	3,075,135
Retentions	21,430,948	23,219,979
Leave provision	11,246,863	9,232,786
Bonus provision	2,570,934	2,389,446
Traffic Department - Creditor	48,714	48,714
Debtors with credit balances	3,882,135	2,884,895
CDM Advance Account: R & M	68,169	68,169
Creditors previous year	4,319,065	11,141,078
CDM Creditor	20,357,801	7,486,064
Deposits Various	136,616	119,216
Salary suspense account	-	19,449
Unallocated deposits	4,685,779	870,424
Traffic department - 80:20 Split	920,894	740,272
SABS	228	199
Prodiba	64,306	51,745
Road transport management	91,279	88,992
	69,827,137	**61,436,563**

The fair value of trade and other payables approximates their carrying amounts.

14. Consumer deposits from Non Exchange Transactions

	2019	2018
Consumer deposits	1,926,836	1,902,836

No interest is paid on consumer deposits.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	16,167,532	-
LED Learnership	-	327,926
Intergrated National Electrification Programme	1,726,947	6,580,000
Finance management grant	500,000	500,000
CDM : Halls	6,135	6,135
CDM : Stadium	300,000	300,000
CDM Eradication of Alien Plants	16,455	16,455
CDM Integrated Transport plan	377,308	377,307
	19,094,377	**8,107,823**

See note 23 for reconciliation of grants from other spheres of goverment.

Conditional Grants

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	4,560,719	237,157	-	4,797,876
Long service awards	3,784,728	783,456	(187,730)	4,380,454
	8,345,447	1,020,613	(187,730)	9,178,330

Reconciliation of provisions - 2018

	Opening Balance	Additions	Prior year adjustment	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	4,462,983	225,435	(127,699)	-	4,560,719
Long service awards	3,265,094	703,646	57,649	(241,661)	3,784,728
	7,728,077	929,081	(70,050)	(241,661)	8,345,447

Long service awards

	2019	2018
Opening balance	3,784,728	3,265,094
Current service cost	469,768	432,501
Interest cost	313,688	271,145
Benefits vesting	(187,730)	(241,661)
Prior period error adjustments	-	57,649
	4,380,454	3,784,728

Enviromental rehabilitation

	2019	2018
Opening balance	4,560,719	4,462,983
Provision for impairment	-	-
Provision for the year	237,157	225,435
Unused amounts reversed	-	-
Unwinding of discounts	-	-
Prior period Adjustment	-	(127,699)
	4,797,876	4,560,719

Environmental rehabilitation provision

The provision is made in terms of the licensing stipulations. The Provision has been determined on the basis of the recent independent study by taking into account a number of factors to the design, manner of operations and rehabilitation measures proposed which was assessed, investigated and tested. There is no anticipated environmental harm, groundwater pollution, leachate leakage that could be found. The municipality did not alter any structure and infrastructure to the existing landfill.

The cost factors derived from the study by a consulting firm of engineers have been applied in the 2018/2019 financial year, only a CPI index of 5.2 % increase was applied in the 2018/2019 financial years as additions. The methodologies applied in the prior years have not changed and the principles applied are still relevant. The total closure and rehabilitation is uncertain.

Long Service Award

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

16. Provisions (continued)

Employees qualify for the following long service awards in terms of the SALGA collective agreement: The employees will qualifies for long service award for every five years of service completed , from ten years of service to 45 years of services.

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award. Working days awarded are value at 1/250 of annual salary per day. The expected remaining working-lifetime of eligible employees is 21.7 years

Actuarial report was compiled by ARCH Actuarial Consulting appointed by the Council

17. Service charges

Refuse Removal(Lebowakgomo)	5,806,869	6,670,759
Landfill proceeds	35,830	64,528
	5,842,699	**6,735,287**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of Communication Network	247,417	227,689
Rental of Facilities	275,070	99,654
Rental of equipment	609	19,307
Rental of Facilities	-	169,561
	523,096	**516,211**

19. Water and Sanitation:Commission Earned

Commission received from sale of water	27,877,461	24,836,618
	27,877,461	**24,836,618**

The commission received from Capricorn District Municipality for the collection of revenue relating to water and sanitation on behalf of the District Municipality. The current signed SLA allows Lepele-Nkumpi to receive 30% of the revenue collected during the current year (2018: 30%).

20. Agency Fees

Licences and permits :Department of Transport	4,305,715	4,335,159
	4,305,715	**4,335,159**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Other Revenue

Tender Revenue	462,177	789,314
Application fees: pto - residential	1,730	876
Transfer of property	62,038	64,291
Advertising boards	103,302	134,707
Building plans: bussiness	137,616	177,042
2.5% commission	17,494	16,180
Burial fees	65,609	116,004
Building plans : Residential	91,447	103,871
Connection fees: water	22,356	70,810
Skills development program	154,660	135,677
Application fees: pto - bussiness	11,534	10,547
Cattle Pound	68,575	36,665
Rubble	915	842
Consolidation fees	1,913	1,843
Drain blockage	2,795	4,526
Rezoning application	2,304	2,397
Connection sewerage fees	3,574	1,391
Instructor certificate	780	1,278
Clearance certificate	30,434	29,926
Sale of Sites	6,186,809	78,985
Proof of residence	82,921	98,232
Special consent	1,965	5,026
Stop Clock	396	1,567
Mortgage Bonds	15,102	7,172
Sundry Income	466,318	700,797
Relocations of Beacons	8,478	12,259
Library Services	2,738	2,055
Reconnection fees	-	380
Disconnection fees	-	263
Reservation of graves	-	4,500
	8,005,980	**2,609,423**

22. Finance income

Interest revenue		
Interest receivable - Accounts receivable	15,853,963	5,135,173
Interest receivables - External investments	5,315,448	6,910,186
Interest receivables - Current account	5,426	21,966
	21,174,837	**12,067,325**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Property rates

Rates received

Residential	11,356,722	10,421,180
Commercial	5,539,647	5,264,900
State	7,142,210	6,527,066
Small holdings and farms	2,889,098	2,202,064
	26,927,677	**24,415,210**

Valuations

Residential	2,698,513,140	2,618,098,140
Commercial	880,286,000	888,679,000
State	2,915,159,000	2,197,503,100
Small holdings and farms	2,262,336,100	2,871,525,000
	8,756,294,240	**8,575,805,240**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Government grants and subsidies

Operating grants		
Equitable share	222,970,000	212,141,686
Finance management Grant	1,645,000	1,645,000
EPWP	1,758,000	1,160,000
CDM Eradication of Alien Plants	-	2,173,545
CDM Intergrated Transport plan	-	122,693
LED learnerships	327,926	-
CDM Waste Management (Cleaning)	-	350,000
Department of Minerals & Energy - INEP	8,271,053	-
	234,971,979	**217,592,924**
Capital grants		
Municipal Infrastructural Grant	24,881,296	54,088,163
	259,853,275	**271,681,087**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Finance Management Grant (FMG)

Balance unspent at beginning of year	500,000	-
Current-year receipts	2,145,000	2,145,000
Conditions met - transferred to revenue	(1,645,000)	(1,645,000)
Withheld	(500,000)	-
Unspent amount transferred to liabilities	**500,000**	**500,000**

Conditions still to be met - remain liabilities (see note 15).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.

The conditions of the grant were met.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Government grants and subsidies (continued)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	(954,164)	402,656
Current-year receipts	42,002,991	53,134,000
Conditions met - transferred to revenue	(24,881,295)	(54,088,163)
Withheld	-	(402,656)
Other transfered to debtors	-	954,163
Unspent amount transferred to liabilities	**16,167,532**	**-**

Conditions still to be met - remain liabilities (see note 15). The grant were overspend and the municipality is currently liasing with COGTA to recover the overexpenditure.

This grant were used to construct municipal infrastructure lo provide basic services for the benefit of poor households.

The conditions of the grant were met.

Intergrated National Electrification Programme (DME)

Balance unspent at beginning of year	6,580,000	-
Current-year receipts	9,998,000	6,580,000
Conditions met - transferred to revenue	(8,271,053)	-
Withheld	(6,580,000)	-
Unspent amount transferred to liabilities	**1,726,947**	**6,580,000**

Conditions still to be met - remain liabilities (see note 15).

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households. The grant were recieved late and expenditure will be incurred during 2018/2019 fin year.

LED Learnership

Balance unspent at beginning of year	327,926	327,926
Conditions met - transferred to revenue	(327,926)	-
Unspent amount transferred to liabilities	**-**	**327,926**

Conditions still to be met - remain liabilities (see note 15).

EPWP

Current-year receipts	1,758,000	1,160,000
Conditions met - transferred to revenue	(1,758,000)	(1,160,000)
Unspent amount transferred to liabilities	**-**	**-**

Conditions were met. No unpend grant remain. (see note 15).

CDM:Refurbishment of Mamaolo Hall

Balance unspent at beginning of year	6,135	6,135
Unspent amount transferred to liabilities	**6,135**	**6,135**

Conditions still to be met - remain liabilities (see note 15).

CDM:Seleteng Diamond Softball

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	300,000	300,000
Unspent amount transferred to liabilities	**300,000**	**300,000**

Conditions still to be met - remain liabilities (see note 15).

CDM Eradication of Alien Plants

Balance unspent at beginning of year	16,455	-
Current-year receipts	-	2,190,000
Conditions met - transferred to revenue	-	(2,173,545)
	16,455	**16,455**

Conditions still to be met - remain liabilities (see note 15).

CDM Integrated Transport plan

Balance unspent at beginning of year	377,308	500,000
Conditions met - transferred to revenue	-	(122,693)
	377,308	**377,307**

Conditions still to be met - remain liabilities (see note 15).

CDM Waste Management Cleaning

Balance unspent at beginning of year	(40,000)	-
Current-year receipts	-	310,000
Conditions met - transferred to revenue	-	(350,000)
Other transferred to debtors	40,000	40,000
	-	-

Conditions were met and the grant were overspend by R 40 000. This amount is disclosed under debtors. Communication with CDM are currently in process to refund the over expenditure.

25. Fair value adjustments

Fair value on land	10,098,000	403,683,641

2018 financial year a revaluation was performed comprising of stands/registered properties which consists of RDP houses,encroached land, residential stands and land agreements with developers. The municipality was required to register the land in the names of the current occupants before transfer occurs, the municipality is currently busy with the process. A fair value adjustment on these land was R246 908 200. Also on 6 January 2005 a land was donated by Public Works to Lepelle-Nkumpi Municipality at a deemed value of R1 each and this land was fairly valued by an independent valuer. The valuation, which conforms to the international standards, was arrived at by reference to market evidence of transaction prices for similar properties at a value of R156 778 000.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Employee related costs

Basic	63,209,693	59,572,963
Bonus	4,712,729	4,701,301
Medical aid - company contributions	3,162,436	2,805,954
UIF	437,628	419,884
SALGBC	22,820	21,937
Leave pay provision charge	2,125,883	2,001,093
Pension Funds - Company contribution	10,895,027	10,354,900
Travel, motor car, accommodation, subsistence and other allowances	7,225,290	5,978,482
Overtime payments	2,610,068	2,611,153
Long-service awards	783,456	645,996
Acting allowances	946,339	674,606
Housing benefits and allowances	278,629	262,935
	96,409,998	**90,051,204**

Remuneration of Municipal Manager

Annual Remuneration	454,510	1,011,129
Car Allowance	106,944	178,239
Acting allowance	37,380	-
Contributions to UIF, Medical and Pension Funds	153,777	-
Leave pay out	50,905	-
Other allowances	12,000	12,000
	815,516	**1,201,368**

Remuneration of Chief Finance Officer

Annual Remuneration	813,635	872,931
Car Allowance	-	207,098
Contributions to UIF, Medical and Pension Funds	4,015	-
Other allowances	24,000	148,570
	841,650	**1,228,599**

Remuneration of Executive Directors

Director: Technical Services

Annual Remuneration	726,048	727,179
Car Allowance	311,163	-
Contributions to UIF, Medical and Pension Funds	62,887	-
Other allowances	24,000	-
Leave payout	-	292,394
	1,124,098	**1,019,573**

Director: Community Services

Annual Remuneration	569,545	430,086
Car Allowance	244,090	-
Contributions to UIF, Medical and Pension Funds	152,372	160,825
Other allowances	24,000	-
Leave payout	-	86,162
Acting allowance	84,226	-
	1,074,233	**677,073**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Employee related costs (continued)

26. Remuneration of Councillors (continued)

Director: Corporate Services

	2019	2018
Annual Remuneration	-	633,662
Contributions to UIF, Medical and Pension Funds	-	210,068
Other allowances	-	29,042
	-	**872,772**

Director: Strategic Planning(LED)

	2019	2018
Annual Remuneration	295,559	371,208
Car Allowance	142,386	-
Other allowances	14,000	-
Contributions to UIF, Medical and Pension Funds	87,223	158,162
Leave payout	45,564	123,830
Acting allowance	54,008	9,753
	638,740	**662,953**

27. Remuneration of councillors

	2019	2018
Mayor	1,064,312	802,462
Chief Whip	798,073	451,847
Speaker	848,184	481,970
Executive Committee Members	5,053,995	2,870,634
Councillors	12,440,772	15,790,787
MPAC and Ethics oversight members	1,232,402	700,131
	21,433,738	**20,883,393**

The Mayor, Speaker and Chief Whip are employed full-time. Each is provided with an office and secretarial support. The Mayor has use of a Council owned vehicle and driver for official duties.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2019:

June 30, 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ramokolo MM	156	-	156
Mollo MI	346	-	346
	502	**-**	**502**

June 30, 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Kgweedi MM	144	425	569
Ramokolo MM	454	-	454
Doubada NM	438	5,848	6,286
Morotoba NL	133	-	133
	1,169	**6,273**	**7,442**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Depreciation, impairment and amortisation

Depreciation - Property, plant and equipment	31,825,609	30,759,386
Impairment of assets - Property, plant and equipment	8,464,725	123,424,654
Depreciation - Intangible assets	536,603	27,413
Impairment of assets - Intangible assets	-	20,902
	40,826,937	**154,232,355**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

29. Finance Costs

Interest on finance leases	5,836	51,824

30. Provision for impairment adjustment

Provision for impairment - CDM water	17,965,898	26,510,134
Provision for impairment - Refuse	8,602,738	-
Provision for impairment - Traffic fines	355,040	286,698
Provision for impairment - Rates	7,416,860	15,734,434
Provision for impairment - VBS Mutual Bank	-	150,000,000
	34,340,536	**192,531,266**

The provision for impairment adjustment movement for the year has been calculated as follows:

Provision per Statement of Financial Position	Note	Column heading	30 June 2019	30 June 2018	Movement charged to Statement of Financial Performance
CDM advance commission	4	-	26,510,134	26,510,134	-
Refuse	4	-	57,963,994	49,308,677	8,655,317
Traffic fines	5	-	9,724,479	9,369,439	355,040
Rates	5	-	78,574,129	66,491,330	12,082,799
VBS Mutual Bank	7	-	150,000,000	150,000,000	-
	-	-	**322,772,736**	**301,679,580**	**21,093,156**

31. Contracted services

Security services	15,671,787	14,026,920
Refuse	4,184,413	3,980,911
	19,856,200	**18,007,831**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. General expenses

Accommodation and meals	1,303,004	2,102,141
Advertising	407,790	412,664
Audit committee expense	456,770	390,944
Audit fees	3,352,537	3,428,549
Bank Charges	70,235	151,149
Cleaning materials	875,940	1,145,576
Commission on sapo/easy pay deposits	58,186	48,780
Unknown Funerals	19,998	-
Consulting and professional fees	21,710,595	13,869,513
Cash security services	295,141	265,289
Electronic traffic fine management	260,865	250,000
Cattle pound	247,000	275,800
Communications	258,200	909,825
Bursaries staff	386,964	189,040
Community participation	472,551	1,278,514
Council Conferences and congresses	52,782	32,323
Refreshments: Mayor's office	6,103	5,474
Forensic services	310,472	-
Council induction	-	41,993
Insurance	1,186,194	1,544,493
Conferences and congresses	181,382	220,674
Council: Function	129,557	238,374
Council: refreshments: speakers office and EXCO	5,152	10,359
Council: skills development levy	162,748	159,914
Council: travel & subsistance	1,367,462	1,601,592
Council: Mpac sessions	361,239	468,072
IT support services	158,302	298,920
Greening	706	3,468
Disaster provision	265,147	256,000
Magazines, books and periodicals	-	33,922
LED Learnerships	285,153	-
IDP review process	801,167	988,796
Special programs	753,887	1,230,909
Electricity projects	8,589,079	10,295,696
Environmental and waste management	381,744	245,008
Municipal fleet	8,644,096	7,577,223
Municipal fleet - licensing	336,703	282,993
Postage	742,288	651,463
Printing & stationary	1,991,448	1,404,760
Internal audit services	23,840	78,256
Protective clothing	-	751,626
Internal sporting activities	644,115	707,658
Legal fees	4,331,756	4,508,740
Membership fees	1,072,145	1,010,219
Office refreshments	9,192	21,790
OHS expenses	50,705	180,982
PMS coordination	-	11,378
Subscriptions and membership fees	2,011,112	1,459,992
Telephone and fax	782,147	862,558
Training	316,882	249,350
Subsistance and travelling allowance	1,158,248	1,487,536
Refuse removal	-	2,000
Skills development levy	636,188	614,452
SMME support	398,649	604,543
Electricity	2,833,283	2,366,510
Sports, arts and culture	278,261	223,023
Sector forum	16,421	2,439
Stores & materials	588,302	647,498

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. General expenses (continued)

32. General expenses (continued)		
Risk management	47,404	45,877
Rental of office equipment	497,490	6,186
Traffic uniform & tags	64,865	3,439
Traffic expenses	48,951	265,660
Ward committees	5,650,447	7,361,115
Youth programme: campaigns	98,698	297,660
Rehabilitation of old dumping site	237,157	225,435
Road safety programme	310,333	507,917
Refreshments - whippery office	4,000	4,000
Workmen's compensation	928,747	362,514
Recruitment Expenses	17,566	49,491
Policy development - labour relations	409,318	70,656
Employee Wellness	72,530	158,132
Post evaluations	88,448	-
	80,515,787	**77,458,842**

33. Cash generated from operations

Surplus	56,559,845	183,732,454
Adjustments for:		
Depreciation and amortisation	40,826,937	154,232,355
Loss on sale of assets and liabilities	-	64,387
Finance costs	5,836	-
Fair value adjustments	(10,098,000)	(156,777,897)
Interest income	(21,174,837)	(12,067,325)
Debt impairment	34,340,535	-
Gain from sale of assets	(166,992)	-
Provision for impairments	832,883	-
Changes in working capital:		
Inventories	(1,894,018)	(2,031,551)
Receivables from exchange transactions	(12,514,869)	4,712,903
Receivables from non-exchange transactions	(8,994,070)	(7,808,332)
Payables from exchange transactions	(4,305,498)	36,639
Vat Payable	(3,490,297)	5,732,874
Unspent conditional grants and receipts	10,986,554	6,571,107
Consumer deposits	24,000	(78,359)
	80,938,009	**176,319,255**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Commitments

Authorised Capital Commitments

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	106,487,106	118,467,150
Total capital commitments		
Already contracted for but not provided for	106,487,106	118,467,150

Authorised Operational Commitments

	2019	2018
Already contracted for but not provided for		
• Security services	23,307,490	-
• Landfill	1,596,011	-
• Integrated Transport Plan	97,052	-
• Mphahlele Local Spatial Development	136,000	-
• Printing and Folding of Monthly Municipal Statements Statements	2,704,690	-
• Cash Collection Services	81,424	-
• Revenue Enhancement Strategy, Debt Collection, etc.	513,750	-
• Maintenance of Fixed Assets Register	2,836,696	-
• Review of LED Strategy	185,295	-
• Compilation of Growth and Development Strategy	522,547	-
• Compilation of Tourism Plan	245,531	-
• Zebediela Local Spatial Deelopment Framework	229,691	-
• Preparation of Annual Financial Statements	1,346,650	-
• Other operational commitments	-	55,966,487
	33,802,827	**55,966,487**
Total operational commitments		
Already contracted for but not provided for	33,802,827	55,966,487
	33,802,827	**55,966,487**

Total Commitments

	2019	2018
Authorised capital expenditure	106,487,106	118,467,150
Authorised operational expenditure	33,802,827	55,966,487
	140,289,933	**174,433,637**

This committed expenditure relates to plant and equipment, security services, strategies , landfill, etc. will be financed by available bank facilities and funds internally generated, etc, retained surpluses, grants received during the year and carried forward from prior years, etc.

35. Prior period errors

During the current year when a verifications was performed it was identified that land regarded as Inventory was land which was vacant at Unit H which was not included in the records of the municipality amounting to R16 802 000.Land which was grapped by residents, some there are schools and churches wereby the municipality lost control and municipality decided to write them off R54 269 000. Another land was identified to be occupied at Unit C was decided to be written off as a result of municipality losing control R39 805 200. It was identified that the Land - inventory was not Written down in terms of GRAP standards to lower of cost and net realisable value with an amount of R36 481 572. Identified land which was erranously included in land-inventory which was was supposed to be transferred to Property, Plant and equipment amounting to R8 000 000. Identified land which there are RDP houses built on it belonging to the municipality and the municipality have no more control, it was decided to write off the land amounting to R 19 700 [illegible] and a government area land were municipality also lost control. R10 296 000. A reclassification of land was done which was incorrectly included under land - inventory amounting to R2 783 000. The above land which the municipality lost control was subsequently impaired with amount of R111 952 200.

35. Prior period errors (continued)

It was identified that a software was acquired in 2017/18 financial year which was not included in the accounting records amouting to R143 700, there was a depreciation impact of R236.22. Also there was an impairment adjustment for softwares not recognised in the prior year of R20 901.55.

Land that was reclassified from Land inventory amounting to R10 783 000 as per above, identified land that was not controlled by the municipality and derecognised R6 144 000. Identified projects which was not included in WIP due to invoices received late amounting to R1 593 645 were no accruals was not made, the projects was completed in 2017/18 and it was not transferred to Infrastructure. Another projects was identified to be completed but not transferred to Infrastructure R13 772 088 and it was also identified that there was a Jojo tank acquired which was not included in other assets R15 370. Reversal of depreciation on fully depreciated assets showing negative book values and on duplicated assets total net impact of R102 907. A total net impact on Property, plant and equipment was identified to be amounting to R

It was identified that a provision for leave was understated with amount of R1 935 387.70 to agree with the leave report for prior year. There was a payment of salaries, housing allowances and UIF after 2017/18 financial year for salaries relating to that year amounting to R18 807 which was not accrued for. Also the municipality received some of the suppliers invoices late after 2017/18 financial year and made a payment in the current year, there was no accrual of this invoices made amounting to R1 396 337. Lastly as mentioned under assets there was a project invoice received late amounting to R1 593 645 were invoice was paid in the current year relating to a completed project in the prior year and no accrual was provided. a total net amount affecting payables from exchange transactions amounted to R4 944 176

During the audit land was identified with amount of R1 090 000 belong to the municipality which was not included in the fixed asset register and system.

During the current year it was identified that land inventory amounting to R64 908 000 and land amounting to R34 408 000 was supposed to be classified as Investment property, a journal was processed to reclassify this amounts to correct category and disclosed as such.

It was identified that Heritage Assets have been included as part of Property, plant and equipment and not carried at fair value. an amount of R183 684 was adjusted.t

It was identified that the CDM commission earned was incorrectly calculated in the prior year resulting in an amount of R10 573 269.

During the current year it was identified that the opening balance of Long service award was overstated with an amount of R57 649 to agree with the closing balance as per expert report amounting to R3 784 728.

Reversal of a Service charges billing for Landfil which was written off amounting to R75 423. Another reversal of a billing of prior years after write off was performed amounting to R9 280 130. A reversal of bad debt expense amounting to R12 732 120 which was not supposed to be recognised in 2017/18 financial year.

During the May 2018 financial year the Council took a resolution to write off indigent debtors who are unable to settle their long outstanding debtors for services rendered by the municipality. The municipality recognised the write offs of these debtors in November 2019 and adjusted the previous years debtors services and penalties respectively with an amount of R12 656 777 which was adjusted retrospectively in the prior year. A total net impact on receiables amounting to R8 742 808

During the current year review of the expert report on landfill it was identified that the opening balance as per expert report of R4,560,719.00 and the balance as per the records of the municipality of R4,688,418.00. as a result the opening balance was overstated by an amount of R127 699.00 which will be adjusted accordingly for the earliest period possible.

VAT Liability balance as per Prior year trial balance was identified to be different from the balance shown on the prior year audited annual financial statements when we were reviewing and comparing opening balance testing. The difference is for the amount of R67 532.00. the balance was adjusted retrospectively in the prior year.

Vacant land was reclassified between inventory land, investment property, intangible assets and property, plant and equipment. The fair value of the assets were adjusted and the assets reclassified in terms of the accounting policies.

The correction of the errors results in adjustments as follows:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Prior period errors (continued)

Statement of financial position

	Previously reported	Correction of prior period error	Reclassification	Restated balance
VAT Payables	(5,732,874)	(67,532)	-	(5,800,404)
Land inventory	248,772,249	(168,624,456)	9,670,000	89,817,794
Investment property	-	-	99,316,000	99,316,000
Intangible assets	20,902	122,562	-	143,464
Property, Plant and Equipment	776,914,093	1,413,807	(108,986,000)	669,341,901
Receivables from Exchange transactions	30,917,630	1,439,046	-	32,356,676
Receivables from non-exchange transactions	38,698,150	5,432,221	-	44,130,371
Provisions	(8,415,497)	70,050	-	(8,345,447)
Payables from exchange transactions	(56,492,836)	(4,944,176)	-	(61,436,562)
Heritage Assets	-	183,684	-	183,684
	1,024,681,817	**(164,974,794)**	**-**	**859,707,477**

Statement of Financial Performance

	Previously reported	Correction of prior period error	Reclassification	Restated balance
Other income	2,684,846	(75,423)	-	2,609,423
Property Rates	24,415,210	(513,107)	-	23,902,103
Employee related costs	(88,086,792)	(1,964,412)	-	(90,051,204)
Depreciation and Impairment	(42,383,062)	(111,849,293)	-	(154,232,355)
General expenses	(75,554,590)	(1,904,252)	-	(77,458,842)
Loss on sale of assets	(64,387)	(26,483)	-	(90,870)
Fair value adjustment	403,686,200	(2,559)	-	403,683,641
	-	-	-	-
	-	-	-	-
	-	-	-	-
	224,697,425	**(116,335,529)**	**-**	**108,361,896**

Disclosures

Irregular expenditure

Adjustment of prior year irregular expenditure (understatement/Overstatement)	-	-	38,615,184	(8,604,758)
Other 2	-	-	-	-
	-	-	**38,615,184**	**(8,604,758)**

Unauthorised expenditure

Adjustment of prior year unathorised expenditure overstated	5,828,092	-

Figures in Rand	2019	2018
36. Contingencies		
1. A service provider was appointed to implement Mscoa. The service provider disputed certain invoices but the municipality cancelled the contract due to non-performance and the service provider is claiming payment.	1,070,578	-
2. Motshaki Trading/Itsanang Distributors - Case no. 7729/2017 - On or around the 11 December 2017, the plaintiff served summons to the municipality alleging that he/she was joint ventured with Itsanang when the municipality entered into an SLA with the service provider. He further alleged that he resigned from the JV before payment could be made to the service provider but alleges that he is owed R101 250.00(part of the bid amount of R3 624 423.38). However he/she does not state to who owes him the monies. The applicant have tendered a settlement with the municipality that they seek no monetary claim but the proof of payments to the service provider, Itsanang. On the 14 March 2019 a PAIA request form was issued to the applicant for completion.	101,250	101,250
3. Andy Services station - Case no: 8123/2017 - On or around the 11 December 2017, the plaintiff served summons to the municipality alleging that he rendered services of supplying fuel to the municipality in the amount R451 289.73 and the municipality failed to make payment of such services. The opposition papers were filed. The municipality have filed and served the discovery affidavit in September 2018. The plaintiff did not file the discovery affidavit. A notice to compel has been finalised to be served on the plaintiff.	451,290	451,290
4. Mphahlele Raesetje Dikeledi - Case no: 185/2017 - On the 11April 2017, the municipality received the summons alleging that the plaintiff 'son drowned to his death at the main hole alleged to be made by the municipality. The plaintiff claim payment of damages in the amount of R40 000 for funeral expenses. The municipality have filed the opposing papers. The matter is still pending and the opposition papers has been filed. The matter remain dormant	40,000	40,000
5. CV Chabane & Associates (PTY) LTD - Arbitration Case no. C012/12 - On the 29 September 2016 C.V Chabane institute claim for non-payment of service rendered against the Municipality in the following amounts; 1.R584 343.13 unpaid invoice; 2. R2 297 847.16 for retention; 3.R2 882 190.28 for enrichment. C.V Chabane was the constructor of the extension of Municipal building civic centre. The matter was later converted into arbitration, on the 12 December 2016 the parties attended a pre-arbitration. The matter is still pending. On the 17 September 2018, the municipality received a memo from the attorneys to proceed with the conclusion for the matter as the claimant is reluctant to set down the matter	2,882,189	2,882,189
6. Legodi Francinah - Case no:278/11 - On the 20/06/2011, the plaintiff instituted an action against the respondent for mandatory interdict compelling the municipality to restore the property that was dispossessed at Makotse residence. The municipality opposed the application citing the implementation of the court order	27,947	27,947
7. Sello Silas Sethosa - Case no: 51/2013 - On the 13/03/2013, the plaintiff issued summons at Lepelle-Nkumpi magistrate court claiming payment of an amount of R80 610.52 as a result of damages incurred in his vehicle caused by the negligent conduct of the municipality. The municipality have filed the opposing papers. The matter was at court on the 08th August 2017 but postponed sine die. Matter still pending, on the 10 April 2018, the matter was at court but was postponed sine die	80,610	80,610
8. Ledwaba Ndlovu Traditional Authority and 71 others - On the 10/12/2012, the municipality received a combined summons whereby the plaintiff claims damages of R500 000. the plaintiff alledges that the municipality wrongfully turned the arable field of Ga-Ledwaba into a cemetery yard since 1976.	500,000	500,000
9. Mahlolo Charles Rathaga - The plaintiff claim that he entered into a partly oral agreement and partly written agreement in 2005 to sell to the plaintiff a stand no 3112 Unit B Lebowakgomo with R15 000 purchase price and same was paid. However he alleges that on or about December 2017 the same stand was sold by the municipality to another person and same is registered in the deed office in the name of that another third party. the plaintiff claim the restoration of the stand alternatively payment of R335 000.00. The municipality has filed a plea with a special of lack of deed of alienation, prescription (verbal agreement entered in 29 February 2009)	335,000	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
36. Contingencies (continued)		
10. Mokwana Mokwana - The municipality advertised the post of head of Corporate Services. on the 27 July 2018, the municipality issued an appointment letter to Mr Mokwana and later withdrew the appointment on the basis that the MEC declined to concur with the appointment. Mr Mokwana referred the matter to arbitration citing unfair dismissal. On the 05 March 2019, the award was issued to compensate Mr Mokwana to an amount equal to a six months' salary. The municipality have filed a review application at Labour Court to set aside the arbitrators award.	406,818	-
11. Modiba Gololo - The plaintiff claims that on the 01st November 2017, in Lebowakgomo next to Kopano High School, he drove into a pot-hole whereby his vehicle was damaged and suffered damages. The parties agreed to stay the matter until the 07.06.2019 for settlement purposes.	13,230	-
12. Mathale Solomon Mabudusha - on the 11th April 2018 the municipality received summons alleging that his three cattles disappeared in the custody of the municipality and as a result he suffured damages to the amount of R27 000. The notice of intention has been entered into.	-	27,000
13. Phillip Madimetja - The plaintiff claims to have made an application for the land development for the rezoning of residential to business of glassworks at Unit P erf 3 of portion 3. The municipality has filed a plea.	60,000,000	-
14. Mapotene-Mangena Attorneys - In January 2019 the attorney submitted a notice of taxation for his bill of costs which the municipality has disputed.	466,734	-
	66,375,646	**4,110,286**

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

There is no reimbursement from any third parties for potential obligations of the municipality.

37. Risk Management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	69,827,137	-	-	-

At June 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	61,436,563	-	-	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

Non-Exchange Receivables	2019	2019 Amount	2018	2018 Amount
Rates	100,00%	115,833,186	100,00%	99,842,067
	100	**115,833,186**	**100**	**99,842,067**

Exchange Receivables	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Refuse	90.84%	74,294,483	86,38%	62,732,256
Other	9.16%	7,494,596	13.62%	9,989,161
	100%	**81,789,079**	**100%**	**72,721,417**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Risk Management (continued)

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note & of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at 10% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Rates	100%	73,908,190	100,00%	66,491,330
	100	**73,908,190**	**100**	**66,491,330**

Exchange Receivables	2019 Percentage	2019 Amount	2018 Percentage	2018 Amount
Refuse	100%	57,911,415	100%	49,308,677
	100%	**57,911,415**	**100%**	**49,308,677**

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

The municipality does not hedge foreign exchange fluctuations.

38. Financial Instruments disclosure

Categories of financial instruments

Figures in Rand	2019	2018

38. Financial Instruments disclosure (continued)

Financial Assets	Classification	2019	2018
Investments			
Short term deposits	Held to maturity	-	-
Consumer Debtors			
Receivables from exchange transactions	Financial instruments at amortised cost	44,431,370	32,356,676
Receivables from non exchange transactions	Financial instruments at amortised cost	53,564,615	44,130,371
Call Deposits	Financial instruments at amortised cost	83,867,594	46,911,313
Bank Balances and Cash			
Cash Floats and Advances	Financial instruments at amortised cost	18,840	5,195
Summary of Financial Assets	-	**181,882,419**	**123,403,555**

Financial Liability	Classification	2019	2018
Long-term Liabilities			
Trade Payables			
Payables from exchange transactions	Financial instruments at amortised cost	62,274,689	61,436,562
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	-	-
Capatalised Lease Liability	Financial instruments at amortised cost	-	238,138
Summary of Financial Liability	-	**62,274,689**	**61,674,700**

39. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2019.

40. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	1,987,888	1,982,994
Add: Fruitless and wasteful Expenditure - current year	44,903	4,894
Closing balance	**2,032,791**	**1,987,888**

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Interest charged on overdue ESKOM accounts	Under investigation (Due to late submission of invoices)	44,903

41. Unauthorised expenditure

	2019	2018
Opening balance	5,828,092	5,240,632
Add: Unauthorised expenditure for the year	517,643	587,460
	6,345,735	**5,828,092**

Unauthorised expenditure for the current year

1. Electrification of Bolahlakgomo 100 HH was adjusted to zero during adjustment budget	105 725
2. Electrification of Mawaneng 25 HH was adjusted to zero during adjustment budget	34 223
3. Electrification of Matime 35 HH was adjusted to zero during adjustmetn budget	17 208
4. Madisha Ditoro Community Hall was not rolled over in 2018-2019 year	360 486

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

42. Irregular expenditure

Opening balance	263,729,214	201,315,167
Add: Irregular Expenditure - adjustment to prior year	38,615,184	(8,604,758)
Opening balance as restated	**302,344,398**	**192,710,409**
Add: Irregular Expenditure - current	2,572,383	-
Add: Irregular Expenditure relating to expenditure identified in prior year	43,856,917	71,018,805
Irregular expenditure awaiting condonement by National Treasury	**348,773,698**	**263,729,214**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	**Amount**
Recommendations of Bid Evaluation Committee/Bid Adjuducation Committee not ratified	Under investigation/To be reported for investigation	2,763,434
Bid between R200 000 and R10 million not advertised for at least 14 days	Under investigation	7,999,613
Bid documents not fully Initialised	Under investigation	7,245,987
Municipal accounts for winning bid in arrears for mroe than 90 days or municipal accounts for directors not included	Under investigation	8,929,457
Local production content not specified	Under investigation	8,203,619
Bid documentaiton not properly completed	Under investigation	7,592,951
Other matters where supply chain processes were not followed	Under investigation	2,756,733
Preference points were not calculated using the correct amounts	To be reported for Investigation	198,275
Contract extended without the approval of council	To be reported for investigation	739,231
		46,429,300

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

43. Additional disclosure in terms of Section 125 Municipal Finance Management Act Section 2003

Contribution to SALGA

Current year subscription / fee	1,064,940	1,010,219
Amount paid - current year	(1,064,940)	(1,010,219)
	-	-

Audit fees

Opening balance	9,436	-
Current year fee	3,005,877	3,428,697
Amount paid - current year	(3,005,877)	(3,419,261)
	9,436	**9,436**

The outstanding audit fees is part of the creditors accruals for the year.

PAYE and UIF

Current year subscription / fee	16,605,068	16,039,788
Amount paid - current year	(16,604,773)	(16,039,788)
	295	-

Pension and Medical Aid Deductions

Current year subscription / fee	25,078,570	19,523,348
Amount paid - current year	(25,058,859)	(19,523,348)
	19,711	-

VAT

VAT receivable	1,688,497	-
VAT payable	-	(5,732,874)
	1,688,497	**(5,732,874)**

VAT is payable on the cash basis.

VAT output payables and VAT input receivables are shown in note 7.

Figures in Rand	2019	2018

44. Related parties

Relationships

Controlled by the same government - legislatively (MFMA Act)	Capricorn District Municipality (CDM)
Controlled by the same government - legislatively (MFMA Act)	Department of Transport

The municipality is involved in an agency relationship with Capricorn District Municipality for the provision of water services and also receives a Grant from the Municipality. Also have an agency relationship with the Department of transport for permits and licences. The Lepelle-Nkumpi municipality earns a fee (commission) for performing this services.

Related party balances

Unspent Grants - by related parties

	2019	2018
CDM - Halls	(6,135)	(6,135)
CDM - Stadiums	(300,000)	(300,000)
CDM - Eradication of alien Plants	(16,455)	(16,455)
CDM - Integrated Transport Plan	(377,308)	(377,308)
CDM - Waste Management Cleaning	40,000	40,000

The balance relate to the unspent Grant received from Capricorn District Municipality use of Halls, Stadiums, Integrated Transport plan, etc. for the year ended 30 June 2019. The current year Grant received was not fully spent

Amounts included in Trade receivable (Trade Payable) regarding related parties

			2019	2018
CDM - (Creditor)	-	-	(13,497,987)	(7,486,064)
CDM - (Commission)	-	-	87,990,152	69,874,269
Department of Transport - Advance Repairs and Maintenance	-	-	(68,169)	(68,169)
Department of Transport - Creditor	-	-	(48,714)	(48,714)
Traffic Department - Ratio split	-	-	(920,894)	(740,272)
Department of Transport - Road Transport Management Corporation (RTMC)	-	-	(91,279)	(88,992)

The balances relate to the commission due from CDM and monies owed to them for water and sanitation for the year ended 30 June 2019

Provision for doubtful debts related to outstanding balances with related parties

	2019	2018
CDM - Commission	(80,495,557)	(62,529,659)
Department of Transport - Traffic fines	(9,724,479)	(9,369,439)

Expenses recognised in respect of bad or doubtful debts

	2019	2018
Department of Transport - Traffic fines	(355,040)	(286,698)
CDM - Commission	(17,965,898)	(26,510,134)

Related party transactions

Agency fees received from related parties

	2019	2018
Department of transport	4,305,714	4,335,156

Commission earned from related parties

	2019	2018
Capricorn District Municipality (CDM)	24,796,836	24,836,618

Grants received from related parties

	2019	2018
Capricorn District Municipality - Integrated Transport Plan	-	122,693
Capricorn District Municipality - Irradication of alien plants	-	2,173,545
Capricorn District Municipality - Waste management (Cleaning)	-	350,000

Revenue from traffic fines for related parties

	2019	2018
Department of Transport	513,050	940,665

44. Related parties (continued)

44. Related parties (continued)

Councillors' arrear consumer accounts owing	Outstanding for more than 120 days	Outstanding less than 90 days	Closing balance
Mollo M.I	-	346	346
Ramokolo MM	-	156	156
Morotoba NL	133	-	133
	133	**502**	**635**

Key management information

Class	Description	Number
Acting Chief Financial Officer	Ramuhulu RH	1
Executive Committee members	Refer under General information for Executive Committee members	9
Executive management		
Acting Mayor	Molala MM	1
Councillors	Refer under General Information under Councillors	49
Municipal Managers	Mashamba NS	1

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

44. Related parties (continued)

Remuneration of management

Acting Municipal Manager and Chief Financial Officer

2019

Surname and Initials	Basic salary	Other short-term employee benefits	Post-employment benefits	Other long-term benefits	Other benefits received	Total
Municipal Manager	454,510	144,324	153,777	50,902	12,000	815,513
Chief Financial Officer	813,635	-	4,015	-	24,000	841,650
	1,268,145	**144,324**	**157,792**	**50,902**	**36,000**	**1,657,163**

2018

Surname and Initials	Basic salary	Other short-term employee benefits	Total
Municipal Manager	1,011,129	190,239	1,201,368
Chief Financial Officer	872,931	355,668	1,228,599
	1,884,060	**545,907**	**2,429,967**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

44. Related parties (continued)

44. Related parties (continued)

Councillors

2019

Surname and Initials	Basic salary	Allowances	Total
Sibanda-Kekana NG (resigned May 2019)	408,520	166,748	575,268
Ntsoane PB	500,364	240,595	740,959
Thobejane TA	469,092	208,831	677,923
Mogashoa A	240,053	153,601	393,654
Ramokolo MM	647,380	126,761	774,141
Makgati MA	489,092	262,261	731,353
Mphahlele RL	261,697	187,775	449,472
Mphofela SM	297,774	142,594	440,368
Tsela FD	261,897	154,521	416,218
Maluleke HD (resigned April 2019)	196,758	128,758	325,516
Themane MD	469,092	239,720	708,813
Mollo MI (MPAC Chairperson)	459,667	233,172	692,839
Doubada NN (Ethics Chairperson)	254,014	126,557	380,572
Makgahlele MB	197,933	109,594	307,527
Marema TG	197,933	108,419	306,410
Takalo PS	197,933	139,500	337,433
Mabula RO	197,933	129,992	327,926
Thobejane TC	261,952	45,040	306,992
Shogole MW	197,933	139,414	337,348
Ledwaba CS	197,933	112,899	310,832
Ratau IG	197,933	110,991	308,924
Rababalela SM	197,933	148,526	346,189
Maleka PI (resigned April 2019)	148,817	92,103	240,920
Molaba RG	197,933	145,854	343,787
Seribishani KG	234,665	74,375	309,040
Thobejane L	197,933	165,166	363,100
Mphuti T	234,665	71,687	306,352
Kgokolo RD	197,933	124,795	322,728
Ntshabeleng PS	197,933	130,501	328,435
Mailula NM	197,933	130,448	328,382
Mphahlele TJ	197,933	128,964	326,897
Mamosebo MJ (resigned April 2019)	148,817	97,774	246,591
Tlabjane JB	197,933	121,479	319,412
Mmotla MN	197,933	165,585	363,518
Moganedi VM	197,933	165,862	363,796
Babile PT	197,933	145,808	343,741
Kutumela MF	234,665	87,417	322,082
Mvundlela SW	197,933	150,591	348,525
Nkuna FM	197,933	123,413	321,346
Ledwaba JL	197,933	125,257	323,190
Molatjana ML	197,933	166,508	364,441
Ledwaba PE	197,933	149,378	347,311
Kgweedi MM	197,933	138,092	336,025
Morotoba NL	197,933	115,225	313,159
Choung CM	234,665	88,023	322,689
Takalo ME	197,933	122,421	320,355
Lekoana MR	234,665	71,687	306,352
Leshilo GK	261,952	46,448	308,400
Petje LT	197,933	122,600	320,533
Ntswane MR	197,933	148,835	346,769

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

44. Related parties (continued)

44. Related parties (continued)

Ramalebana LM	78,109	11,100	89,209
Mathabatha MP	197,933	122,023	319,957
Matsimela MD	197,933	172,582	370,516
Ramoshaba RS	197,933	125,689	323,622
Thindisa DM	197,933	120,794	318,727
Masemola SG	197,933	134,503	332,436
Phele RS	197,933	149,485	347,418
Mohlala PM	197,933	137,804	335,738
Molala MJ	197,933	115,024	312,957
Masebe BN	78,109	11,100	89,209
Chidi V	78,109	11,100	89,209
Mohlala LN	65,437	23,773	89,210
	14,355,415	**7,967,542**	**22,322,761**

44. Related parties (continued)

44. Related parties (continued)

2018

Surname and Initials	Basic Salary	Allowances	Total
Sibanda - Kekana NG	602,462	263,024	865,486
Ntsoane PB	481,970	248,670	730,640
Thobejane TA	451,847	220,222	672,069
Mogashoa A	252,512	169,163	421,675
Ramokolo MM	451,847	190,420	642,267
Makgati MA	451,847	239,970	691,817
Mphahlele RL	252,512	172,577	425,089
Mphofela SM	252,512	187,148	439,660
Tsela FD	252,512	161,134	413,646
Maluleke HD	252,512	172,045	424,557
Themani MD	451,847	207,818	659,665
Mphahlele MTR	252,512	181,180	433,692
Mollo MI (Mpac Chairperson)	455,032	229,766	684,798
Doubada NN (Ethics Chairperson)	245,100	126,640	371,740
Makgahelele MB	190,987	108,593	299,580
Marema TG	190,987	109,890	300,877
Takalo PS	205,838	112,287	318,125
Mabula RO	190,987	125,431	316,418
Thobajane TA	451,847	220,222	672,069
Thobejane TC	251,877	47,624	299,501
Shogole MW	190,987	141,694	332,681
Ledwaba CS	190,987	111,335	302,322
Ratau IG	190,987	112,536	303,523
Rababalela SM	190,987	135,440	326,427
Maleka PI	190,987	128,632	319,619
Molaba RG	190,987	135,551	326,538
Seribishani KG	251,877	46,352	298,229
Thobejani L	190,987	160,475	351,462
Mphuti T	251,877	44,400	296,277
Kgokolo RD	190,987	124,154	315,141
Ntshabaleng PS	190,987	116,910	307,897
Mailula LM	190,987	125,113	316,100
Mphahlele LL	14,851	6,989	21,840
Mamosebo MJ	190,987	119,965	310,952
Mohlala PM	190,987	131,519	322,506
Tlabjane JB	190,987	122,226	313,213
Mphahlele TJ	190,987	126,856	317,843
Mmotla MN	190,987	172,211	363,198
Moganendi VM	190,987	175,770	366,757
Babile PT	190,987	140,706	331,693
Kutumela MF	217,224	104,548	321,772
Mvundlela SW	190,987	155,784	346,771
Nkuna FM	190,987	126,898	317,885
Ledwaba JL	190,987	141,735	332,722
Molatjana ML	190,987	169,495	360,482
Ledwaba PE	190,987	149,337	340,324
Kgweedi MM	230,887	68,223	299,110
Morotoba NL	190,987	107,332	298,319
Choung CM	251,877	51,799	303,676
Takalo ME	190,987	117,195	308,182
Lekoana MR	251,877	44,400	296,277
Leshilo GK	251,877	47,875	299,752

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

44. Related parties (continued)

44. Related parties (continued)

Petje LT	190,987	124,286	315,273
Ntswane MR	190,987	151,638	342,625
Ramashoba RS	190,987	120,743	311,730
Mathabatha TB	190,987	132,100	323,087
Matsimela MD	190,987	165,703	356,690
Phele RS	190,987	173,757	364,744
Masemola SG	190,987	133,451	324,438
Thindisa DM	190,987	124,124	315,111
Ledwaba RL	35,643	16,018	51,661
	14,459,121	**8,299,099**	**22,758,220**

Executive management

2019

	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	726,048	569,545	-	295,559	1,591,152
Acting allowances	-	84,226	-	54,008	138,234
Travel, Motor Car, Accomodation and other allowances	311,163	244,090	-	142,388	697,639
Contribution to UIF, Medical Aid and Pension Funds	62,887	152,372	-	87,223	302,482
Other allowances	24,000	24,000	-	59,564	107,564
	1,124,098	**1,074,233**	**-**	**638,740**	**2,837,071**

2018

	Technical Services	Community Services	Corporate Services	Strategic Planning (LED)	Total
Categories					
Annual remuneration	727,129	430,086	633,662	371,208	2,162,085
Leave pay	292,394	86,162	-	123,830	502,386
Travel, Motor Car, Accomodation and other allowances	-	-	-	158,162	158,162
Contribution to UIF, Medical Aid and Pension Funds	-	160,825	210,068	-	370,893
Acting allowances	-	-	-	9,753	9,753
	1,019,523	**677,073**	**843,730**	**662,953**	**3,203,279**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting and includes a note to the annual/interim financial statements.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned

Supplier name, services provided and reasons for deviation	
Capricorn FM - Advertisement for State of Municipal address 2018 - Preferred supplier to reach audio target	75,541
The institute of internal auditors of South Africa - membership subscription - Sole supplier	9,825
Chartered institute of Government finance, audit and risk officers - attending CIGFARO seminar - Sole supplier.	2,700
Consulting engineers South Africa - Registration fee attending CESA training - Sole supplier	3,078
Institute of municipal people practitioners of South Africa - Registration fee attending IMPSA training - Sole supplier	4,350
Institute of Internal of Audit South Africa (IIASA) - Registration fee attending South Africa internal auditors conference - Sole supplier	23,230
Disaster Management Institute of Southern Africa (DMISA)- registration fee attending DMISA conference - Sole supplier	18,600
Inter Municipal Sports of South Africa - Affiliation fees for 2018 SAIMSA Games - Sole supplier	11,000
Institute of Traffic, Licensing and Metro police - registration fee for officials attending ITLMPOSA - Sole supplier	14,000
The chartered institute of government finance, Audit & Risk Officers - Registration for officials attending CIGFARO - Sole Supplier	56,168
Institute of municipal people practioners of Southern Africa - Registration fee attending IMPSA - Sole Supplier	4,050
Institute of Risk Management South Africa - Registration for officials attending IRMSA - Sole supplier	9,430
Institute of municipal people practioners of Southern Africa - Registration fee for officials attending IMPSA - Sole supplier	4,850
Payday Software Systems Pty Ltd - Supply and delivery of Payslips - Preferred contracted supplier	23,029
Paradigm Forensic services - Independent external investigators - Preferred supplier	317,372
Institute of Municipal Administration for Southern Africa - Registration fee attending IMASA Conference - Sole supplier	2,000
Zebediela Community Radio station - Advert for MPAC public participation and public hearing on 2017/18 Draft annual report from 28-04 March 2019 - Local radio station in attracting the targeted audience	21,000
Paradigm Forensic services - Independent external investigators - Preferred supplier	39,670
Inter Municipal Sports of South Africa - Affiliation fee for 2019 Provincial games hosted by Mogalakwena Municipality from 07-08 June 2019 - Preferred supplier	10,000
Motsaro Trading (Pty) Ltd - Resealing and Maintenance of Streets and Tarred Road in Lebowakgomo Unit A - impractical to follow the normal bidding processes	3,027,184
Payday Software system Pty Ltd - Consulting fees UIF Submission and referencing - sole supplier	36,018
	3,713,095